

MISSION STATEMENT

The mission of the Sonoma County Water Agency is to effectively manage the water resources in its care for the benefit of people and the environment through resource and environmental stewardship, technical innovation, and responsible fiscal management.

Budget at a Glance:

Total Expenditures	\$211,189,524
Total Staff	210
% Funded by County Discretionary Funds	0%

DEPARTMENTAL DESCRIPTION

The Sonoma County Water Agency (Agency) is a countywide special district whose Board of Directors is the Sonoma County Board of Supervisors.

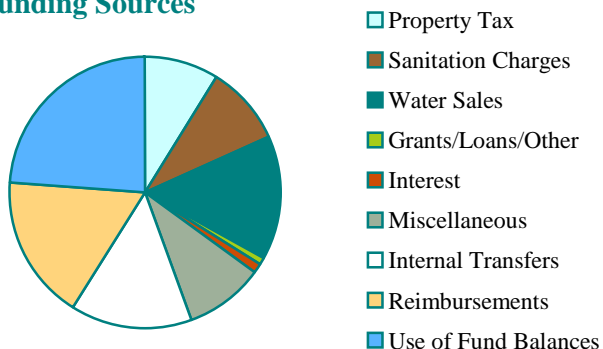
The four key functions of the Agency are water supply, water transmission, flood control, and wastewater collection and treatment. As a water supplier, the agency is responsible for securing and maintaining water rights and encouraging water conservation and reuse to meet present and future demand. The Agency's water transmission system provides for wholesale domestic water supply and delivery to eight prime contractors (Santa Rosa, Petaluma, Sonoma, Rohnert Park, Cotati, Valley of the Moon Water District, Town of Windsor, and North Marin Water District) and other customers. For the flood control function, the agency designs, constructs, and maintains flood control facilities. The Agency provides sanitation functions to county sanitation districts (CSD) and zones.

The Agency maintains operational funds to finance and support its functions. The Agency established targets for each of the operational funds and closely monitors fund balance to ensure the effective management of these funds. The Agency will use expenditure control and rate increases where appropriate to bring any projected fund balance shortfalls in line with targets. From year to year the fund balances will be built up and then used for capital improvement projects.

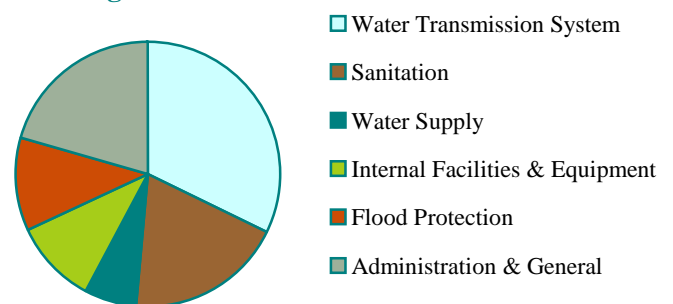
The Agency's Board of Directors approved a Strategic Priorities Plan and Water Policy Statement for the Agency in April 2007. The plan identifies the following nine priorities critical to advancing the Agency's mission:

- Assist customers to meet their water supply needs.
- Protect water quality and improve the reliability of the water transmission system.
- Address impacts on listed salmonid species.
- Lead development of regional sustainability programs and water resource partnerships.
- Conduct stream maintenance and provide funding for drainage, storm water quality, and stream habitat enhancement in flood control zones.
- Improve public understanding of the Agency and its programs.
- Address critical infrastructure needs for sanitation systems.
- Improve the Agency's business efficiency and effectiveness.
- Improve the Agency's employee recruitment and retention.

Funding Sources



Funding Uses



FY 07-08 Accomplishments

- Obtained biological opinions from National Marine Fisheries for existing operations, and completed the draft Environmental Impact Report (EIR) for the Water Supply and Transmission System Project.
- Began discussions of permanent changes to the State Water Regional Control Board Decision 1610, which sets minimum summertime flow levels in the Russian River.
- Developed non-regulatory groundwater management plan with stakeholders for Sonoma Valley.
- Initiated discussions with PG&E regarding their operation of Potter Valley Dam so that flows into and out from Lake Mendocino can be better controlled, particularly during the summer and fall months to assure adequate water for the fall salmon runs.
- Completed long range financial plans for each enterprise. These plans form the basis for working with our contractors on projecting water rates, scheduling projects, and obtaining future funding for each enterprise.
- Completed the replacement of the Occidental County Sanitation District's wastewater collection system to improve its operations toward a Standard Level of Service, and completed the tertiary treatment facility at Sonoma Valley CSD.

FY 08-09 Objectives

- Begin biological opinion improvement work on Dry Creek in order to meet required improvements for endangered species and allow the Agency to deliver current and future demands for water within our service area, and receive water project EIR certification, which is a required step for all projects that will impact water delivery in the future.
- Become ISO 14000 and ISO 9001 registered. These international standards are benchmarks for Environmental and Quality Management Systems. Earning registration under these standards is an indication of the Agency's commitment to operating in an environmentally friendly manner and continually improving the processes use to produce products and services.
- Start construction of the South Transmission Pipeline in order to increase capacity and reliability of the transmission system to those contractors serviced by the Petaluma Aqueduct, which is currently being operated at capacity.
- Complete environmental studies for "Net Zero Energy" communities. These pilot projects would demonstrate how water and energy are tied together and how treated water can be used to reduce power consumption and green house gas emissions.

Budget Division/Fund	<i>Total Expenditures</i>			<i>Net Cost/Use of Fund Balance</i>		
	FY 07-08 Adopted	FY 08-09 Recommended	% Change	FY 07-08 Adopted	FY 08-09 Recommended	% Change
Admin & General - Spec Fund	38,530,581	43,310,167	12.4	(1,262,891)	(482,670)	(61.8)
Flood Control - Spec Fund	18,305,383	24,011,668	31.2	7,430,545	11,369,741	53.0
Water Supply - Spec Fund	13,083,073	13,629,772	4.2	1,338,363	1,365,053	2.0
Water Transmission - Spec Fund	74,640,030	67,964,611	(8.9)	17,690,495	17,603,026	(0.5)
Internal Service Fund	11,622,362	21,778,672	87.4	(81,481)	8,556,830 ¹	(601.6)
Sanitation - Spec Fund	55,609,178	40,494,634	(27.2)	16,449,741	12,082,540	(26.5)
TOTAL FINANCIAL	211,790,607	211,189,524	(0.3)	41,564,772	50,494,520	21.5

¹ Internal Service Fund Net Cost/Use of Fund Balance is increasing due to the anticipated purchase, including tenant improvements, of a new Operations and Maintenance facility, construction of a fleet center at the Airport treatment plant, and the design and construction of a bio-diesel facility.

STAFFING SUMMARY

Staffing	FY 07-08 Adjusted	FY 08-09 Recommended	FTE Change	% Change
Permanent Positions ¹	208.00	210.00	2.00	1.0

¹ Reflects position additions approved during FY 07-08.

SUMMARY OF KEY ISSUES**ADMINISTRATION**

Total expenditures from the Agency's General Fund are increasing by approximately \$4.7 million due substantially to three factors. Salaries and benefits costs are increasing by approximately \$2 million primarily due to contractual agreements; consultant services expenditures are increasing by \$1.2 million, primarily related to the climate initiative; and rent/lease costs for the Agency's facilities is increasing by approximately \$1.3 million.

The Agency has begun to implement the Strategic Plan and Priorities adopted in April 2007 by the Agency Board of Directors. The Agency will continue to develop action plans for achieving the goals and objectives for implementation in 2008 and beyond.

For FY 08-09, current activities designed to achieve the strategic plan goals are as follows:

- Continue several activities aimed at empowering the workforce and improving the practices and procedures used to deliver services to customers. These include information technology system upgrades, such as enhancements to the Geographic Information Systems capabilities, upgrading project management and financial management systems, and follow-up on the employee opinion survey feedback. These activities are paid for through the Agency's general fund. Revenues for the general fund come primarily from property taxes; which, while not showing as strong of growth as in recent years, will provide a sufficient level of revenue to fund these activities and maintain fund balance health. The Agency's general fund may be affected by state budget related legislative action in the coming months. The Water Agency will continue to monitor the state's budget and legislative action to assess and respond to any coming impacts.
- The FY 08-09 recommended budget deletes one vacant Technical Writer position and adds one Assistant Project Specialist to reflect the actual job responsibilities of this existing position. In addition, the Agency requests two new position allocations: one Account Clerk III to assume some of the duties currently provided by the Sonoma County Auditor, and one Engineer Programmer II to implement project scheduling and resource management Agency-wide.

FLOOD CONTROL

The Flood Control Division includes six flood control zones and the Warm Springs Dam Special Revenue Fund. Benefit assessments, approved by the voters in 1996, have provided additional funds for capital projects in the Laguna-Mark West area (Zone 1A) and Petaluma area (Zone 2A). These assessments expired in July 2007. The Agency is preparing a Prop 218 balloting process for enhanced funding for flood protection and water quality projects in these zones and in the Sonoma Creek watershed area (Zone 3A and part of Zone 9A). The balloting process is expected to take place in FY 08-09. If the enhanced funding is not approved, projects in process will not be affected, but there will be significantly less funding available to construct similar projects needed to protect homes and businesses from flooding in the future.

The Agency's goal for flood control is to provide flood protection in a manner that balances public safety and environmental protection. The Agency's work on stream maintenance and creation of riparian habitat will continue similarly to past years.

WATER SUPPLY AND WATER TRANSMISSION

The Agency's goals for Water Supply and Water Transmission are: 1) meet or surpass public health standards and environmental regulations; 2) integrate and protect available sources of water and responsibly manage infrastructure to meet the current and future needs of the Agency's customers; and 3) promote water conservation and recycled water use. Investments in capital replacement extend facility life at current Department of Health standards and reduce operations and maintenance costs. Program costs are financed through operating transfers from the operations fund to the construction fund, with the objective to fund the program to the level of depreciation expense plus costs of enhancing the reliability or expanding the capacity of the facilities. If the operations fund does not have sufficient cash available, long term financing through bonding or State loans are obtained or the capital replacement projects will be delayed until sufficient funding is available.

Activities planned during FY 08-09 are continued work on each of the following multi-year efforts to meet these three goals:

- Pursue modifications to State Water Resources Control Board (SWRCB) Decision 1610 regulating summertime flow levels in the Russian River.
- Perfect and protect all Agency water rights.
- Implement measures identified in the water system security vulnerability assessment.
- Design and construct infrastructure necessary to meet current and future needs of the Agency's customers.

- Certify Environmental Impact Report for the Water Supply and Reliability Project.
- Begin mitigating vulnerabilities in the transmission system in the event of a natural disaster.
- Conduct operational assessment of transmission system for existing and future demands.
- Implement the California Urban Water Conservation Council's best management practices within the Agency's service area.
- Water Supply budget funds are also used to finance the debt service obligations of Warm Springs Dam; to finance water supply and erosion control activities along the Russian River; and to convert recycled water to beneficial use. Total expenditures of \$13.6 million, an increase of \$527,000, are primarily the result of increased debt service payments and recycled water studies and projects, including those referenced in the FY 07-08 Accomplishments and FY 08-09 Objectives in this narrative.
- Water Transmission System expenditures for FY 08-09 total \$67.9 million. Included in this figure are four designated funds created by the Restructured Agreement with expected expenditures of \$2.7 million for water conservation efforts, \$473,000 for recycled water programs, \$194,000 for water management planning, and \$496,000 for watershed planning activities. The budget also reflects the approved FY 08-09 water rate increases of 6.7% to 10.7%.

GENERAL SANITATION OVERVIEW

The Agency's Wastewater and Recycled Water Services objectives for supporting the strategic plan are: 1) protect the health and safety of the public and the environment; 2) manage sanitation systems in a cost-effective manner; 3) encourage beneficial use of recycled water; and 4) adequately fund and implement infrastructure replacement and upgrade projects. The primary activities to achieve these objectives are to improve maintenance and customer education to minimize dry-weather overflows in collection systems. Investments in capital replacement extend facility life at current sanitation standards and reduce operations and maintenance costs. Program costs are financed through operating transfers from the operations fund to the construction fund, with the objective to fund the program to the level of depreciation expense plus costs of enhancing the reliability or expanding the capacity of the facilities. If the operations fund does not have sufficient cash available, long term financing through bonding or State loans are obtained or the capital replacement projects will be delayed until sufficient funding is available.

The discussion of each sanitation district or zone operated by the Agency includes a statement regarding the level of service provided under the proposed budget. The levels of service are defined as follows.

- **Minimum Level of Service:** Includes services necessary for the protection of public health, employee safety, and public safety.
- **Standard Level of Service:** Includes services necessary to operate and maintain the sanitation systems in order to limit or reduce the risk of (1) service interruption and (2) violations of the respective National Pollutant Discharge Elimination System (NPDES) permit or Waste Discharge Requirements issued by the Regional Boards.
- **Asset Preservation Level of Service:** Includes services and programs necessary to (1) operate, maintain and replace facilities and equipment within the sanitation systems in order to preserve the system's assets, (2) provide a beneficial impact on the quality of life in the community, and (3) provide economic savings to the ratepayers through optimizing life cycle costs.

Occidental CSD – Projected to operate at Minimum Level of Service during FY 08-09

- The Occidental CSD continues to face very serious financial and operational difficulties with operating revenues and inadequate fund balance to fully support required maintenance. The Agency's General Fund has contributed nearly \$1.2 million since FY 97-98, with additional contributions anticipated for FY 07-08 and FY 08-09. Using a State Small Community Grant, the district replaced the collection system. The anticipated improvement in wet weather performance through a reduction of infiltration into the system has been realized, improving the operation of the system significantly.

Russian River CSD – Projected to operate at Standard Level of Service during FY 08-09

- The Russian River CSD irrigates approximately 20 acres of forest area adjacent to the treatment plant (referred to as the Burch property) and approximately 40 acres of the Northwood Golf Course. During FY 06-07, it was determined that additional irrigation is necessary and the initial work to complete Environmental Impact Report (EIR) and California Environmental Quality Act (CEQA) studies for expansion of irrigation using recycled water began. The FY 07-08 budget included increased expenditures due to the anticipation of beginning the irrigation expansion and a disinfection process capacity (ultraviolet process) capital project.

The disinfection project is moving ahead to construction in FY 08-09 and the irrigation expansion is continuing to be studied. Operations and maintenance costs are budgeted to increase only 7.6%.

Sonoma Valley CSD – Projected to operate at Asset Preservation Level of Service during FY 08-09

- The district is continuing the program to replace its aging collection system in order to improve capacity and to ensure the reliability and safety of the infrastructure. Funding for most of the replacement costs will be from future rate increases, which are not yet determined. However, the district is also seeking assistance through state and federal infrastructure replacement programs. During FY 08-09, this activity will be continued with a project to replace additional portions of the main collection line.
- Other projects planned for FY 08-09 include: completing environmental compliance and design for an upgrade to the treatment plant's sludge equipment, and developing an underground pipeline distribution system throughout portions of the southern Sonoma Valley to provide recycled water for agricultural and urban irrigation uses. Tertiary upgrades were completed in FY 07-08.

South Park CSD– Projected to operate at Standard Level of Service during FY 08-09

- The South Park CSD wastewater is treated and disposed of by the City of Santa Rosa at the Laguna Sub-regional Treatment Plant. In accordance with an agreement with the South Park CSD, the City of Santa Rosa is currently responsible for the operation and routine maintenance of the district's collection system. In addition, the agreement provides for transfer of system ownership no later than June 30, 2011. The agreement also requires that the South Park CSD replace, slip-line, or repair 41,610 feet of the collection system and upgrade the Todd Road lift station before the transfer takes place. There is approximately 20,000 feet of this work that has been completed or that is under contract. Continued replacement of the collection system and other improvements are dependent upon obtaining state grants and the rate payers' willingness to accept increases in future years. The district is currently applying for a \$2.0 million grant to fund the projects in FY 08-09. The decrease in overall expenditures in FY 08-09 is due to completion of capital replacement projects.
- The district is continuing to explore the possibility of the City of Santa Rosa taking billing responsibility for the district. This would modify the basis for charges to the city's flow based process. If this can be accomplished, it will tie the individual rate payers' payments much more closely to the actual wastewater they generate based on wintertime metered water use.
- The North Coast Regional Water Quality Control Board (NCRWQCB) has released a draft Cleanup and Abatement Order for halogenated volatile organic compounds (HVOCs) found in soil and groundwater in the vicinity of Sebastopol Road and West Avenue in the South Park CSD service area. As a part of this, in December 2005, the NCRWQCB issued regulatory orders requiring work plans for investigations and remediation on four privately owned properties within the district. Once the property owners complete their investigations and remediation, the district will discuss with the NCRWQCB any role or responsibility the district may have for cleanup.

Sea Ranch Sanitation Zone– Projected to operate at Standard Level of Service during FY 08-09

- The Sea Ranch Sanitation Zone consists of two wastewater collection and treatment systems located in Central and North Sea Ranch. The Sea Ranch Association operates and maintains these systems for the Agency. The Agency is still pursuing options to transfer all assets, liabilities, and management responsibilities to the Association.
- A complete video inspection of the system was completed in FY 07-08. Based on this inspection and yet to be completed analysis of the results, the Agency will develop a list of maintenance projects for the coming years. Accordingly, the FY 08-09 budget includes \$150,000 for maintenance projects, including the consolidation of the treatment plant and replacement of electrical and mechanical equipment.

Penngrove Sanitation Zone– Projected to operate at Standard Level of Service during FY 08-09

- Agency operations in the Penngrove Sanitation Zone are limited to administrative services and operation/maintenance of the collection system and pumping station. The wastewater collected by the zone is treated at the City of Petaluma's treatment plant. Petaluma has notified all its customers of major rate increases over the next several years to fund the design, construction, and operation of a new wastewater treatment plant that meets advanced (tertiary) wastewater standards.
- The planned project in the Penngrove Sanitation Zone is to fund construction and contract administration costs for work on the Sewer Rehabilitation Project infiltration and inflow. However, the proposed budget for FY 08-09 reflects a decrease in overall expenditures of \$621,000 due to the reduction of other construction projects in the zone.

SONOMA COUNTY WATER AGENCY

Randy D. Poole, General Manager

Geyserville Sanitation Zone– Projected to operate at Asset Preservation Level of Service during FY 08-09

- Current and future treatment plant inflows are expected to remain less than the treatment and disposal capacity of the Geyserville Sanitation Zone facilities. Therefore, there are no expansions to the treatment and disposal facilities planned at this time and the zone has partial funding for programs necessary to provide an Asset Preservation Level of Service.

Airport/Larkfield/Wikiup Sanitation Zone– Projected to operate at Standard Level of Service during FY 08-09

- The Airport/Larkfield/Wikiup Sanitation Zone expenditures are increasing as a result of the design of the fourth aeration basin, (\$400,000) and membrane filter replacement (\$200,000). These projects will provide additional primary and tertiary treatment capacity at the plant to meet expected demands in the zone.

DEPARTMENTAL APPEAL ITEMS

The General Manager of the Sonoma County Water Agency concurs with the recommended budget, with the following exceptions:

Net Cost

<u>Priority</u>	<u>Description</u>	<u>Amount</u>
A	Addition of 2.0 FTE Water Agency Engineers to provide technical expertise on various Water Agency projects.	\$261,516

COUNTY ADMINISTRATOR'S RECOMMENDATION SUBJECT TO AVAILABLE FINANCING

As this budget was going to print, the Water Agency has not yet given this office a business justification for reinstatement of these two positions. These two positions were traded in FY 07-08 for the addition of two different positions, and the Water Agency now wishes to reinstate them.